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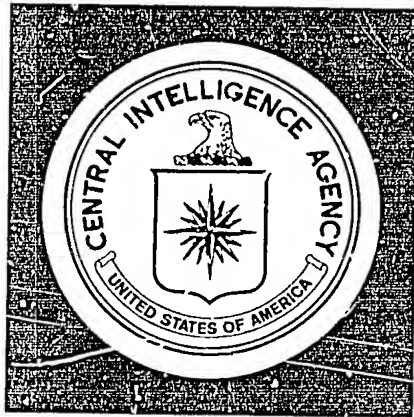
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Weekly Review

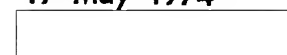
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the WEEKLY REVIEW, issued every Friday morning by the Office of Current Intelligence, reports and analyzes significant developments of the week through noon on Thursday. It frequently includes material coordinated with or prepared by the Office of Economic Research, the Office of Strategic Research, and the Directorate of Science and Technology. Topics requiring more comprehensive treatment and therefore published separately as Special Reports are listed in the contents.

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Comments and queries on the contents of this publication are welcome. They may be directed to the editor of the Weekly Review.

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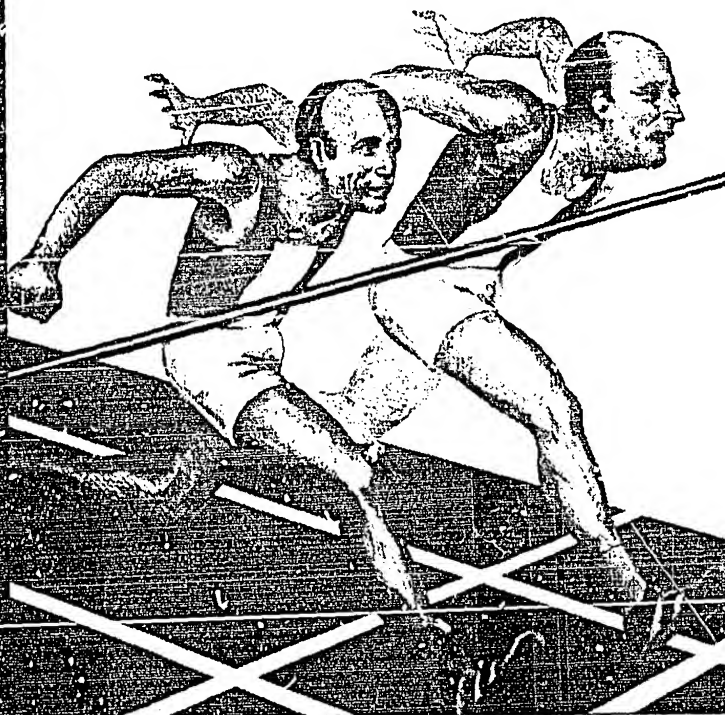
France: Photo Finish

The French presidential hopefuls are coming down to the wire in a dead heat. Giscard and Mitterrand are both flailing about in search of new issues, endorsing everything from minimum wages to indemnification of czarist bonds in a last-ditch effort to win the crucial floating votes that will decide the election on May 19.

Some of the most recent polls show voters split 50-50. Rival polls have put Giscard marginally ahead, but the race will obviously be a close one. Should the election be as close as predicted, the outcome may hang on the 2.6 percent overseas vote, which will delay the verdict. in the event of a "photo finish"—one percent or less—ballots will be recounted. This procedure could cause a three-day delay in the publication of the official results.

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The ideological views of the two candidates differ sharply, but the distinctions between their



platforms have gradually become blurred as both Giscard and Mitterrand have sought to appeal to as broad a spectrum of voters as possible. Giscard has wooed the working class and suggested a minimum wage of \$240 a month, while Mitterrand has promised that he has no intention of increasing the taxes of middle-level executives or of fiddling with their private pension schemes. Both are for "change" and their slogans are almost identical: Mitterrand—"A president for all the French"; Giscard—"The president of all the French."

The most distinctive features contained in the "common program" Mitterrand has negotiated with the Communist and other leftist parties are the nationalization of eight or nine giant industrial firms and the state control of private banks and insurance companies. Mitterrand has asserted that he would draw the line there, and that he does not favor wholesale nationalization. By raising the specter of even limited nationalization, however, Mitterrand has driven many centrist political leaders, including Jean-Jacques Servan-Schreiber, and their followers reluctantly into Giscard's camp.

The televised debate between the candidates on May 10 was generally conceded a draw, but during his concluding remarks Giscard struck a significant blow when he accused Mitterrand of being a man of the past—a man, by implication, who not only represents an outdated socialism, but who also refuses to grapple with the effects of his "common program" on France's future. Earlier Giscard had characterized his own first round victory as the birth of a "great wave of youth and enthusiasm."

Giscard is considered by many Frenchmen to have a better grasp of the complexities of modern society—to have judged more accurately the pulse of contemporary France, which he sees, not as a society of classes, but as an industrialized "national collectivity." Giscard is gambling that the prevalent French mood is a desire to change the existing society, not to create a new one.

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Portugal

PROVISIONAL GOVERNMENT

A broadly based coalition government that includes two communists was sworn in this week with the avowed aim of guiding Portugal into a democratic era after nearly 50 years of authoritarian rule.

It is a provisional government that will rule only until elections are held sometime before April 1975. The military junta, which seized power last month, will monitor the government's activities. Under an interim constitutional decree issued this week, the armed forces will be completely independent from the government. The armed forces chief of staff General Costa Gomes will have equal status with the prime minister.

The 15-member cabinet appears to have representatives from all portions of the political spectrum, although the absence of political parties in Portugal for so many years makes it difficult to pinpoint political affiliations. The foreign, justice, and information ministries went to members of the Socialist Party. Alvaro Cunhal, secretary-general of the Communist Party, was named minister without portfolio, and another Communist official was appointed minister of labor.

The new prime minister is former bar association president Adelino da Palma Carlos, a wealthy lawyer and professor who has not been aligned with any political party. His political philosophy is thought to be right of center.

General Spínola, who assumed the office of President on May 15, remains the most powerful man in Portugal. In his inaugural address, he warned against excesses and bestowed lavish praise on the Armed Forces Movement. He was especially complimentary to the "younger cadres" whose "nobility," he said, "rescued the country from national tragedy."

In contrast to the blandishments Spínola lavished on the younger officers, the junta an-

nounced yesterday that 42 senior officers had been placed on the reserve list, bringing to 66 the number of high-ranking officers who have been purged since the coup. Among those purged are several prominent conservatives who do not support Spínola's notions of self-determination for the African territories.



These members of the Portuguese provisional government and their offices are: (L, front to back) Alvaro Cunhal, Communist, minister without portfolio; Mario Soares, Socialist, foreign minister; Avelino Pacheco Gonçalves, Communist, minister of labor. (Center) Raul Rego, Socialist, information minister. (R, front to back) Adelino da Palma Carlos, nonaligned, prime minister; Manuel Rocha, non-aligned, minister of public works; and Francisco Salgado Zenha, Socialist, minister of justice.

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In his address, Spínola repeated many of the promises for a more open society that he made immediately after the junta seized power. He also stressed that minorities "whether they be here or in Africa" should not interfere with the democratic process. He did not identify the minorities, but in Africa it could apply both to the white settlers and the black insurgents. At home, he probably was referring to leftists who have moved to take over local government offices and portions of the business community.

PROBLEMS IN AFRICA

The new provisional government in Lisbon faces a wide array of problems in the African territories. The insurgent movements have either rejected outright Lisbon's offer of a cease-fire, or they have proposed conditions the Portuguese may find hard to meet. Some white settlers, meanwhile, are voicing concern over Lisbon's intentions in the territories, and there have been a few incidents between blacks and whites.

On May 13, leaders of the insurgent movement in Portuguese Guinea announced that they were prepared to begin negotiations with Lisbon "with or without a cease-fire." The rebel offer, which gives both sides considerable leeway, included the condition that Lisbon recognize the "right of independence" for the "Republic of Guinea-Bissau," proclaimed by the insurgents last fall, as well as for the peoples of Angola and Mozambique.

The junta termed the offer "constructive." The newly formed government in Lisbon will give it careful consideration, but may find it difficult to accept all the rebel conditions. Lisbon prefers to deal with the three territories separately, and is likely to make its response applicable only to Portuguese Guinea. So far, the Portuguese Government has offered the insurgents an equal chance with newly emerging political organizations to determine the future of the territories. Lisbon has recognized the territories' right of self-determination, acknowledging the risk of

eventual independence, but it hopes for a close federation with them, particularly with Angola and Mozambique.

On the same day the Portuguese Guinea rebels made their offer, Angolan and Mozambique insurgent leaders and representatives of black African governments supporting them, meeting in Dar es Salaam, called for increased military activity by the rebels. In Mozambique, the rebels have recently intensified military action in the central part of the territory, an area of heavy white settler concentration, following a brief lull after the coup last month in Lisbon..

Unrest is high in the area as a result of the insurgency and an economic decline. A visit last weekend by armed forces chief of staff General Costa Gomes was marred by demonstrations by angry whites protesting inadequate military protection. On May 12, an angry rock-throwing crowd of whites broke up a political rally in a black suburb of Beira. Blacks retaliated by accosting whites who later tried to pass through the suburb.

Many Mozambicans believe Lisbon is ready to offer favored treatment to the insurgents. This belief has probably been reinforced by knowledge that Lisbon has commissioned several former political prisoners, all well-known blacks, including a brother of an insurgent leader, to present its case to the rebels. The ex-prisoners are expected to arrive in Dar es Salaam, where the rebels maintain headquarters, within a few days.

In Angola, the level of insurgency has been low for the past few years, and Lisbon is under no immediate military pressure to accommodate rebel groups there. The Portuguese Government, however, is apparently worried that the insurgents are preparing for a military push in northern Angola and is augmenting its military forces there with troops from other parts of the territory.

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CAMBODIA: POLITICAL STIRRINGS

Some familiar political problems upstaged the military situation this week. Student and teacher activists in Phnom Penh, who tended to their academic pursuits for the past month, have resumed criticism of the government. Students decorated some schools in the capital with banners and posters denouncing the government for its inability to reduce inflation and curb corruption, and student leaders called for large anti-government demonstrations. Some teachers have gone back on strike to protest anew their inadequate salaries, while others have been pushing for another national teachers' congress on May 17 to voice their lack of confidence in the government.

Trying to keep the unrest within bounds, Prime Minister Long Boret announced a few new measures aimed at easing some of the teachers' economic problems. Defense Minister Thappana Nginn, meanwhile, accused the Khmer Communists of stirring up the students and teachers and stated that tighter security measures were being put into effect in Phnom Penh. Cambodian Army Chief General Fernandez, however, has indicated that government security forces in the capital will avoid confrontations with students and teachers in order to prevent major disorders from occurring.

Lon Nol has used the unsettled situation to force another "state of danger" declaration from the legislature, similar to the one that expired in early April. The new declaration, which is valid for six months, gives the government special powers enabling it to suspend such constitutional rights as freedom of assembly. The President presumably intends to use the document, if necessary, as a legal basis for any moves against antigovernment elements exploiting legitimate grievances.

ON THE MILITARY FRONT

Khmer Communist forces well north of Phnom Penh launched their anticipated attacks against the provincial capital of Kompong Thom. Sporadic Communist artillery fire caused little damage, however, and ground assaults against the city's outlying defenses were repulsed. The attacks did not prevent the airlifting of additional reinforcements to Kompong Thom.

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Laos · North Vietnam · China
THE FOREIGN TROOP ISSUE

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One of the most important provisions of the Lao Accords of 1973 calls for the withdrawal of all foreign troops and military personnel from Laos 60 days after the formation of a coalition government. The North Vietnamese have the largest number of troops in Laos but have shown little interest to date in complying fully with the withdrawal provision.

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CHINA: CHOU STILL IN THE SADDLE

For years, Premier Chou En-lai has maintained a grueling pace while managing China's affairs, showing remarkable physical and mental stamina. Recently, however, he cut back on some aspects of his job. On May 9, he did not attend a state banquet given by visiting Senegalese President Senghor. During the visit earlier this week of Pakistani Prime Minister Bhutto, Chou missed almost all of the purely protocol functions and two substantive discussions as well. The official explanation, and Chou's own, is that he is slightly unwell because of his old age—he is 76. He has, nevertheless, kept a fairly active schedule amid a number of signs that his political health is as sound as ever.

There has been much speculation outside of China that the 76 year old Premier is being forced by his political enemies into a state of semi-retirement. The Chinese have been at pains, however, to counter speculation about Chou's political demise. The two vice-premiers who stood in for Chou at banquets for the high-level visitors commented that they were acting on behalf of the Premier. One of the vice-premiers, Li Hsien-nien, is Chou's closest associate in the leadership; the other, Teng Hsiao-ping, has seemed to work closely with Chou since the former's political rehabilitation a year ago. Chinese media noted repeatedly during the Bhutto visit that the Pakistani Prime Minister was in China at Chou's invitation. Bhutto's complimentary references to the Premier were duly reported by the official Chinese news agency, and the banquet for Bhutto was officially described as being given by Chou, even though he was not present. The joint communique issued at the end of the visit mentioned Chou four times.

Chou's wife, [redacted] was unusually prominent during this period. Portions of her speech to a Vietnamese women's delegation were even published by the official news agency. A lesser government official who is close to Chou has appeared with unusual frequency—over the years his pattern of appearances has proven to be a reliable gauge of Chou's political status.

Chou is clearly not incapacitated. Although he did not meet Bhutto at the airport, he accompanied him later that day to a lengthy session with Mao. Television coverage of that event showed Chou looking apparently fit. The following day, Chou conducted the initial talks with Bhutto that lasted nearly two hours, but he did not participate in the follow-up discussions.

It is possible that Chou has been pre-occupied of late with domestic business, especially the ongoing anti-Confucius campaign. A member of the inner circle around Mao and Chou hinted as much by suggesting that Chou missed the Senghor banquet because he had "more important matters" to attend to.

The anti-Confucius campaign has been recently characterized by increasing factional strife in the provinces that seems to reflect serious differences at the top over major policy and personnel issues. Chou has apparently devoted considerable attention to these problems, and with some success. There has been a steady flow of official instructions emphasizing the need for order during the campaign, and the propaganda in recent weeks has taken on a decidedly "Chouist" tone. On May 7, for example, a local Peking newspaper lashed out at the extremists who incited armed conflict during the Cultural Revolution. Most of them have since been purged, but their most prominent survivor is Mao's wife, Chiang Ching, who is Chou's major antagonist in the current campaign. Chiang Ching did in fact urge young people to take up weapons during the Cultural Revolution.

During the past year, Chou has begun to share some of his duties in the foreign policy arena with his deputy premiers. No doubt he will continue to do so, especially with domestic politics demanding so much of his time and energy. But a good indication that Chou remains firmly in the saddle is the fact that his lower public profile over the last week has not sparked a corresponding increase in the activity of his political enemies. [redacted]

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USSR - EASTERN EUROPE: CROP PROSPECTS

Grain crops are off to a poor start in Communist Europe this year. Bad weather slowed Soviet sowing operations in April, while rain in Eastern Europe has brought only marginal relief to drought-stricken crops there. The season is still early, however, and much will depend on weather conditions over the next two months.

USSR

Sowing operations in the western USSR were hindered by cold, rain, and snow in mid-April, when the sowing campaign was scheduled to shift into high gear. Favorable weather during the first week in May permitted a faster pace, but by May 6 only about 38 million hectares, 39 percent of the planned area, had been sown to grain. At the same time in 1972 and 1973, the areas sown amounted to about 41 million and 48 million hectares respectively.

A successful spring sowing campaign is needed this year to help offset a higher than average loss of crops sown last fall. In mid-April, Deputy Minister of Agriculture Kuznetsov estimated that between 5 and 10 million hectares of the 35 million sown in the fall would require resowing this spring, compared with the long-run average of about 4 million.

While wrestling with these problems, Moscow has taken steps to assure a smooth grain harvest. For the sixth successive year, the party's central committee and the government have issued a joint decree providing specific guidelines for the harvest. Reducing losses is of regular concern to the leadership.

The Soviet grain harvest starts in July and continues into October, but is beset by a shortage of proper machinery, dependable manpower, and grain drying facilities.

This year's decree directs ministries supplying agricultural machinery to speed up deliveries, authorizes the state bank to make emergency short-term loans to state and collective farms, and authorizes the transfer of urban trucks and urban workers to rural areas to help with the harvesting.

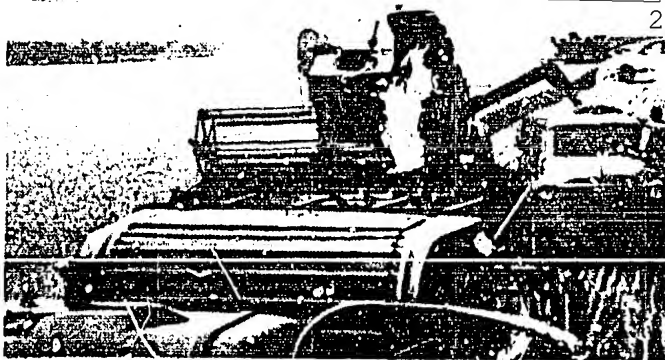
The slow progress of the spring sowing campaign, coupled with above-average winterkill, raises doubts that the goal of a 206-million-ton grain harvest will be met. Above average soil moisture in the eastern part of the spring grain belt, where sowing is about to begin, brightens the outlook in an otherwise cloudy picture.

Eastern Europe

Rain in early May removed crops in Hungary and Czechoslovakia from the critical list, but brought only marginal relief to those in other East European countries. Thus far, accumulated precipitation has not been enough to restore subsoil moisture to normal levels, and more will be required this month if the yields of winter grain last year are to be equaled. Soil moisture at the end of April ranged from 48 percent below normal in Hungary to 17 percent below normal in Poland.

Precipitation in the first week of May undoubtedly spurred the development of spring-planted crops—particularly root crops and sunflowers—and ensured the germination of corn. The rains were probably too late, however, to prevent a reduction in first cuttings of hay in several countries.

Unless the drought is broken this month, Eastern Europe's import requirements for the year ending June 1975 could approach 10 million tons, the highest level in several years. The amount of livestock feed on hand in Eastern Europe almost certainly will not be large enough to maintain livestock numbers and productivity at last year's level.



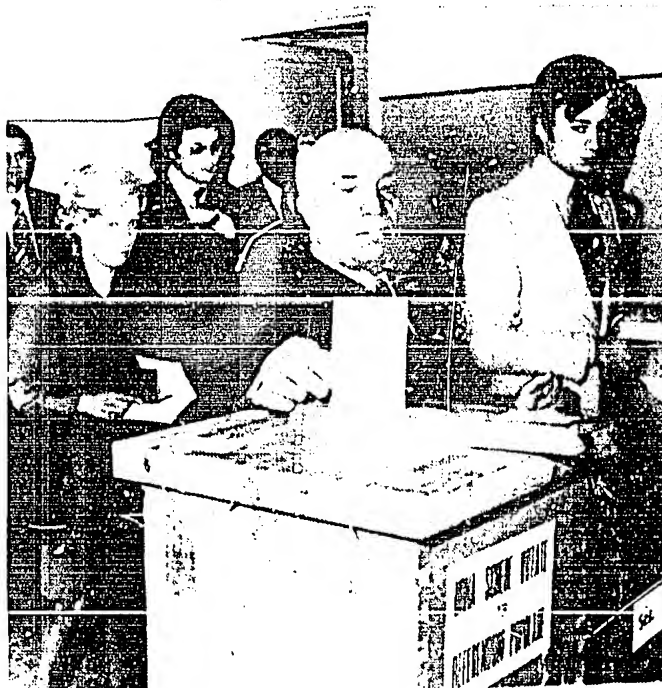
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ITALY: DIVORCE BY A LANDSLIDE

The lopsided vote for divorce in the Italian referendum was a sharp rebuff to the dominant Christian Democratic Party and the Vatican. It was an unexpectedly large win for the broad pro-divorce grouping, which included the Christian Democrats' three coalition partners and the Italian Communist Party. There was a 59.1-percent vote to retain the 3-year-old divorce law.

The outcome was a particular shock to Christian Democratic Party chief Amintore Fanfani, who led the campaign to repeal the divorce law. Fanfani pushed his party into the battle, against the judgment of many other Christian Democratic leaders—including Prime Minister Rumor—who preferred to cancel the referendum by working out a compromise with the pro-divorce groups. Fanfani, a major figure in the party for more than 25 years, has shown a remarkable ability to land on his feet after previous setbacks. He will have to do some furious rhetorical backpedaling this time, however, because he strongly implied during the campaign that a vote for divorce was a vote for the Communists.



Fanfani and family
Not enough votes

The Communists will get the major credit for the victory, although the pro-divorce front also included Socialists, Social Democrats, Republicans, and Liberals. Communist leader Enrico Berlinguer was, from the outset, the most active campaigner for retention of legalized divorce. The Socialists, fearful of being overshadowed by the Communists, also worked hard, but the other parties in favor of divorce did not mount a major public effort until the last week of the campaign.

Since the divorce issue cuts across party lines, the outcome does not necessarily mean that the Communist vote would increase in a general election. The Communists are jubilant, however, because the referendum tally suggests that they are in tune with the mainstream of Italian opinion, and that the Christian Democrats are not. This impression will help the Communists make more credible the claim that their party—Italy's second largest—is a respectable, legitimate organization and therefore entitled to a role in the national government.

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The Communists are building on this theme by taking a conciliatory line and stressing that it is now time to move on to the solution of "more important problems." Berlinguer will probably return soon to his "historic compromise" proposal, which calls for a rapprochement between the Communists and Christian Democrats.

All party leaders are now trying to figure out what the referendum outcome implies for the future of Italian politics. So far, most politicians have remained silent, but they are probably impressed by the failure of the anti-communist theme and the sternest admonitions of the Church to mobilize enough voters to repeal the divorce law. Many Italians are already interpreting the result as a vote for modern versus traditional values. Shortly after the results of the referendum became known, the headline in the country's most prestigious newspaper proclaimed: "Italy is Now a Modern Country."

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Though stung by the defeat, the Christian Democrats will remain the major voice in any political "clarification" that may result from the referendum. Both the Christian Democrats and Socialists—on opposite sides of the divorce issue—stressed during the campaign their intentions to continue governmental collaboration. If tensions over the outcome of the referendum cause the government to fall, however, the ensuing negotiations on the formation of another center-left coalition may be difficult and protracted.

are linked to the cost-of-living index. Huge wage increases and a decline in earnings in the vital fishing industry have also contributed to the gloomy outlook. The inflation rate may approach 60 percent this year if the wage-price linkage remains.

The new government must also renegotiate a defense agreement under which the US has maintained forces at the Keflavik air base. Last March, the Johannesson government tabled proposals calling for the complete withdrawal of US troops from Keflavik by 1976. Although a more moderate coalition would probably demand some modifications of the present arrangement, it would likely be more flexible than the outgoing coalition. The new government's attitude toward the base may be influenced by the outcome of a pro-base signature campaign in February, indicating that a majority of Icelanders support the base.

Although the conservative Independence Party will probably remain the strongest single party, the outcome of the election is clouded by internal disputes within the major parties. All three members of the outgoing coalition—the Progressive Party, the Liberal Left Organization, and the Communists—are split internally over the base issue. The Communists, all but a few of whom are vocal opponents of the base, may pick up some support from dissident members of the Progressive Party and the Liberal Left Organization.

If the opposition coalition forms a government after the elections, the chairman of the Independence Party, Gier Hallgrimsson, would probably become the new prime minister and Social Democratic chairman Gylfi Gislason would take over as foreign minister. In the meantime, Johannesson, anticipating a government led by the Independence Party, is trying to steer his Progressive Party away from the Communists and along more moderate lines so it will not be frozen out of the new government.

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ECONOMIC OUTLOOK FOR 1974

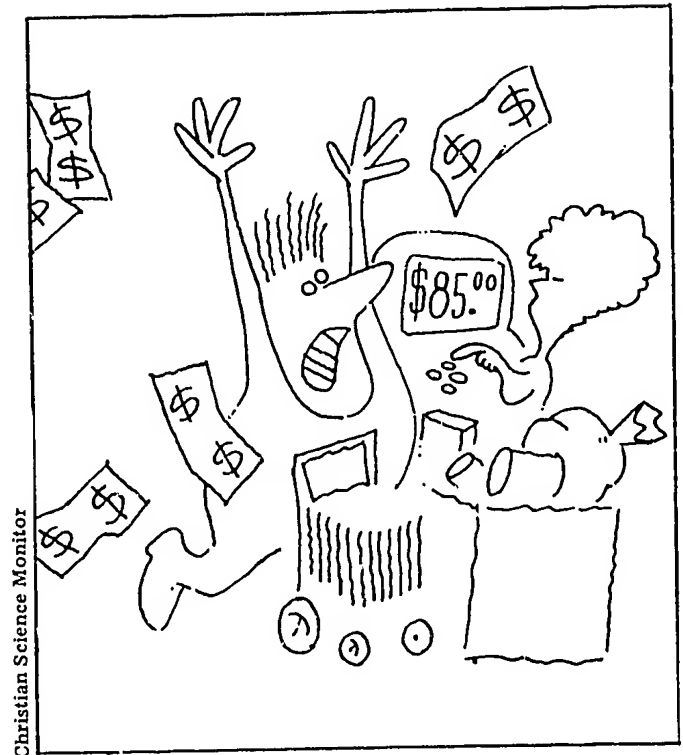
The economic situation of the developed countries in the first half of 1974 will turn out somewhat better than forecasters anticipated in January. Even so, depressed real growth, soaring inflation, and mounting current account deficits will dominate the economic outlook for Canada, Japan, and Western Europe.

The revised projections indicate that real gross national product in the UK, and possibly in Japan, is declining in the first half of this year but is increasing moderately in Canada, France, West Germany, and Italy. Inflation rates generally exceed 10 percent, and, except for West Germany and Canada, the current accounts are in substantial deficit.

Most forecasts point to a recovery in the second half of the year, on the assumption that restrictive economic policies will be relaxed or stimulative policies introduced in a number of countries. It is also anticipated that investment will be encouraged by shortages of capacity and the introduction of energy-conserving processes.

For the year as a whole, real growth of gross national product in the developed countries will probably fall to half the rate of 1973. Japan's growth will be negligible in the first half. Increased investment spending and business pressure for relief from restrictive policies should increase real growth to nearly 6 percent in the second half. The UK's gross national product will probably plummet by 8 percent in the first half because of the coal strike, weak consumer demand, and deflationary budget and credit policies. The resumption of a normal work week and renewed consumer confidence should result in a spurt of 8-9 percent in the second half.

With the threat of recession diminishing, however, many governments are hesitant to stimulate demand for fear of worsening inflation:



- Tokyo is expected to maintain its restrictive monetary and fiscal policies at least until July; if recovery is then evident, policies could remain tight until the fall.

- London has adopted a tighter fiscal policy in view of the prospects of a second half recovery; the new budget increases taxes by \$1.6 billion.

- Paris has strengthened price controls, speeded up tax collections, and kept credit tight.

Thus, better than expected performance in the first half of the year could, paradoxically, have the effect of moderating the projected second half recovery.

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EUROPEAN TRADE UNION CONFEDERATION

West European labor will take a major step toward organizational unity when European members of the World Confederation of Labor—the former Christian international—join the European Trade Union Confederation (ETUC) at its first Congress in Copenhagen on May 23-25. The ETUC's most sensitive current issue—membership

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for the Italian Communist-dominated labor confederation—will not be on the agenda, but is sure to be debated vigorously in informal exchanges.

The admission of the World Confederation affiliates was foreseen when the Europeans of the Socialist-oriented International Confederation of Free Trade Unions founded the ETUC in February 1973. The new European group will now represent almost all trade unionists in Western Europe—33 million workers in 16 countries—except those in Communist-dominated union organizations in Italy and France. To most West European workers, a unified labor movement appears to be the way of the future.

The delegates to the Congress will elect a new president to succeed Vic Feather, former head of the giant British Trades Union Congress. Contrary to earlier speculation, it now appears that West German Heinz Oskar Vetter, chief of the ETUC's other giant federation, does not want the job. The leading candidates are Belgian Socialist Georges Debunne and Danish trade union leader Thomas Nielsen. Another Dane, Peer Carlsen, is scheduled to be elected deputy general secretary, with Belgian Socialist Theo Rasschaert remaining as general secretary, despite the general lack of enthusiasm for his past performance.

The ETUC Congress will also adopt an action program, giving priority attention to employment, price stability, more equal income distribution, formulation of a common energy policy for Western Europe, a greater voice for labor in industrial management, and aid to developing countries. The threat of inflation and the power of multinational corporations will also be prominent topics. Help for the fledgling Portuguese labor movement may be discussed as well; thus far, the ETUC has left the initiative to individual members and to the international organizations.

It now appears that the Italian Communist-led federation will be admitted within the next

several months, possibly as early as July. The Italians seem to have given sufficient proof that they are acting sincerely and independently of Soviet direction in participating in labor initiatives at the EC level and in Italy. Their principal champions have been the Italian Christian Democratic and Socialist unions, with which they hope to form a united Italian labor front. The British and Debunne's Belgian Socialists have also been strong supporters of the Italian Communists, arguing that all West European labor federations should eventually join the ETUC. West German opposition seems to be waning, albeit reluctantly. There is no impetus for early membership of the more hard-line pro-Soviet French Communist-dominated labor federation, although this issue may also be discussed informally in Copenhagen, and eventual membership is considered inevitable by most ETUC members.

Future encounters with labor organizations in Eastern Europe are still a subject of concern, but plans are being made for a meeting next January similar to the one held at the International Labor Organization in Geneva last January. Most ETUC members remain opposed to Soviet suggestions that pan-European labor cooperation should be formalized. The British have tended to support the Soviet view, much to the chagrin of the other members.

The British role in the ETUC continues to be ambivalent. The smaller federations fear that the British and the West Germans might cooperate to dominate ETUC affairs. This does not appear likely, however, in view of the differing views of the two organizations toward the role of the ETUC. The West Germans favor a strong organization, while the British, suspicious of strong West European institutions in general, prefer a more loosely organized confederation. The British, for example, have boycotted all EC activities. Nevertheless, the British federation sought and won election for its chief as the first ETUC president 15 months ago, and it plays a prominent role in the ETUC executive committee. A continued "Gaullist" approach on the part of British labor would doubtlessly dampen ETUC effectiveness.

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ROMANIA-BULGARIA: LEADERS TALK

Romanian party chief Ceausescu's talks in Bulgaria on May 11-12 with Todor Zhivkov, his Bulgarian counterpart, have sparked speculation about their purpose, mainly because they came shortly after Zhivkov's whirlwind visit to Moscow on May 8. The talks were cloaked in unusual secrecy, but fragmentary information suggests that the two leaders focused on questions concerning the international communist movement rather than on economic issues as initially rumored.

The entourages of both leaders consisted almost exclusively of party officials responsible for inter-party and foreign relations. This and the size of the Bulgarian delegation suggests that the Soviets may have asked Zhivkov to try to overcome Romanian resistance to the Soviet-inspired call for a world conference of communist parties. The Bulgarians at least probably tried to moderate Ceausescu's strong resistance to attending a

pan-European conference of communist and workers' parties, a necessary prelude to a world conclave.

Zhivkov played a similar role in 1966 when the Soviets, in preparation for the international communist conference in Moscow in 1969, called on him to try to induce the Romanians to attend a preparatory all-European conference held at Karlovy Vary, Czechoslovakia, early in 1967. Zhivkov failed, and the Romanians, along with the Yugoslavs, boycotted the Karlovy Vary meeting.

Available portions of the apparently bland communique summarizing last week's talks hint at disagreements, thereby suggesting another Bulgarian failure. The independent-minded Romanian leader is apparently determined to continue opposing Moscow's format for multilateral communist meetings.

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SYRIA-ISRAEL: THE GOLAN FRONT

Military activity on the Syrian front increased this week after a quiet weekend. Israeli fighter-bombers flew strikes against fedayeen positions inside Lebanon and on the slopes of Mount Hermon. They also struck once at Syrian positions south of the Israeli-held salient. Air activity over Lebanon was particularly heavy on Thursday morning when Israeli planes struck several Palestinian refugee camps in retaliation for the terrorist incident at Maalot. Artillery, tank, and mortar exchanges occurred along the front throughout the week, but were noticeably lighter than in previous days.

The US Embassy in Beirut has learned that Lebanon has persuaded Syria to remove its surface-to-air missile batteries from Lebanese territory near Mount Hermon. A reliable source of the embassy reports that some batteries were withdrawn on May 7. The source speculated that Syria had agreed to remove the missiles because it

expects a disengagement agreement to be reached, and because they provided only minimal protection against Israeli aircraft flying over Lebanon toward targets in Syria. The source said Israeli air strikes against these batteries may have been another factor in their withdrawal.

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Officials of the Israeli Air Force told the US defense attache in Tel Aviv on May 9 that the surface-to-air missile units that were located in Lebanon had returned to Syria.

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SOVIET ECONOMIC AID TO EGYPT

Soviet economic programs in Egypt are continuing, despite the suspension of military shipments. It is now more than five weeks since the USSR's last arms delivery to Egypt by sea. On the economic side, however, the Soviets seem to be honoring existing commitments. Some 1,500 Soviet technicians remain at work in Egypt. Nevertheless, both sides remain cautious in assuming new undertakings.

Moscow's position as Egypt's principal economic aid donor ended with the 1967 war, when other Arab states agreed to underwrite the Egyptian economy with \$250 million annually in grants. Since the October war, even more aid has been forthcoming from a variety of donors. In contrast, Moscow has not granted any new economic aid to Egypt since early 1971, when some \$195 million in credits was extended. Egypt has used about 70 percent of the nearly \$1.2 billion in credits extended by the USSR since 1957.

The Soviets were initially anxious to play a significant role in clearing the Suez Canal and rehabilitating war-damaged industries in the canal area. Moscow, however, was stung when Egypt decided to turn to the US and the UK for aid in canal clearance. It now appears that the USSR will play only a minor role, and any new aid that may be extended will be small.



Underwater mine clearance
US training Egyptians

In April, an Egyptian economic delegation went to Moscow to discuss the expansion of the Hulwan iron and steel complex and the Naja Hamadi aluminum plant, major ongoing Soviet aid projects. The Soviets will apparently prepare feasibility studies. Expansion of the plants will require additional financing of as much as \$250 million; new Soviet aid will depend not only on the results of the studies but on the political relationship then prevailing between Cairo and Moscow.

The first stage expansion of the Hulwan iron and steel complex, completed late last year, increased Egypt's annual steel capacity from 300,000 tons to nearly 1 million tons. Hulwan's present capacity can satisfy more than half of Egypt's current domestic requirements and, if completed, the second stage expansion would make Egypt nearly self-sufficient in steel.

The Naja Hamadi aluminum plant will begin trial operations later this year. By next year, the plant will have a capacity to produce 100,000 tons of aluminum, three fourths of which will be exported, mostly to the USSR. Proposed plans call for the plant's capacity eventually to reach 165,000 tons annually.

Moscow and Cairo are also negotiating a contract to enlarge the capacity of the Soviet-built Alexandria shipyard, completed in 1968. Terms must still be ironed out because of Cairo's objection to the prices of some items. Egypt is building some 35 small tankers and cargo ships for the USSR in repayment for aid for the shipyard. Soviet engineers and technical personnel are directing repair work at the facility on Soviet merchant marine and naval ships.

Moscow also remains involved in Egypt's fishing industry, as well as in irrigation, rural electrification, and other projects. The USSR is to complete studies this year on improvements to the Nile River, including plans for construction of five dams.

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ETHIOPIA: CONSERVATIVES WIN A ROUND

New appointments and shifts of key military and civilian personnel announced on May 14 represent a victory for conservatives over the military moderates, their rivals for power and influence.

On the whole, the appointments on May 14 appear more an attempt by the conservatives to regain a measure of political control than an effort to reverse the changes set in motion by the military revolt in February. Nonetheless, the military moderates, 'ready angry over the nobility's intrigues, will regard the appointments as a direct challenge to their plans for ensuring social and political change in Ethiopia.

Politically the most significant new appointments in the armed forces were chief of staff, commander of the army, and commander of the Third Infantry Division, which is stationed along the border with Somalia. All three officers are believed to be important members of the conservative faction. Their appointment will further strengthen control over the military chain of command by General Abiye Abebe, the conservative minister of defense. Abiye and his close associates, Prime Minister Endalkatchew and Ras Asrate Kassa, the president of the Crown Council, have emerged as the real pillars of the present government.

In the past, both Asrate Kassa, an important nobleman and one of Haile Selassie's closest advisers, and Abiye have urged reforms on a reluctant Emperor and the more reactionary members of the aristocracy. As time passed without meaningful reform, their "progressive" reputations became tarnished, and the younger moderates now consider them part of the discredited conservative hierarchy. The moderates distrust Asrate Kassa in particular as they consider him the chief agent of those conservatives maneuvering behind the scenes, playing on personal loyalties and tribal connections, and dispensing money in an effort to weaken and divide moderate forces.

In addition to changes in the army, the government also announced the appointment of several new provincial governors general who are both more capable and more aware of the need for change than their predecessors but who still owe their loyalty mainly to the conservative faction. Several new deputy governor generals were also appointed from among qualified and respected provincial officials.

Meanwhile, the resignation last week of Minassie Haile as foreign minister points to divisions within the Endalkatchew cabinet that may lead to further cabinet changes. Several of the more progressive ministers reportedly are threatening to quit over policy differences with Endalkatchew. Others believe Endalkatchew relies too heavily on advice from Abiye in making decisions, to the exclusion of the rest of the cabinet. This issue probably played a part in the resignation of Minassie.

Minassie, one of the few holdovers from the previous government, had long been at odds with the Prime Minister and other cabinet colleagues who considered him indecisive and lacking in initiative. His resignation will probably have little effect on Ethiopia's foreign relations.

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CYPRUS: GROWING TENSIONS

Tensions have increased in Cyprus since the adjournment on April 2 of the intercommunal talks that have been going on for six years between the Greek and Turkish Cypriots. On the Greek Cypriot side, there have been renewed clashes between supporters of President Makarios and the followers of the late General George Grivas, who advocate the union of Cyprus and Greece (enosis). These pro-enosis forces enjoy the support of elements of the Greek-officered

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National Guard on the island. Relations between the Turkish Cypriot and Greek Cypriot communities have also worsened.

Following General Grivas' death last January, members of EOKA-B, his pro-enosis terrorist organization, became embroiled in a struggle over who would succeed him and what strategy to pursue. On April 22, a hard-line faction severely beat and injured a group of Makarios supporters—the first instance of EOKA-B violence since the death of Grivas. Reacting strongly, Makarios formally outlawed EOKA-B, set a deadline of April 27 for the general amnesty extended to all wanted men in January, and announced his determination to wipe out those remnants of EOKA-B who remained in hiding. Only a few turned themselves in before the deadline, thereby setting the stage for more clashes.

Makarios has also been angered by a series of arms thefts from national guard stores and by anti-government incidents involving pro-enosis elements of the national guard whom he suspects are in collusion with EOKA-B. The latest incident involved the theft of light weapons on May 7 from a national guard armory and their probable transfer to EOKA-B. The theft will probably lead Makarios to try again to restrict the activities of the national guard and ultimately replace it with a full-fledged Greek Cypriot army formed around his personal military force. Makarios' determination to break the back of the remnants of EOKA-B and his attempt to curb the national guard may well prompt a dispute with the Athens government, which views these two elements as indispensable tools for maintaining its influence in Cyprus.

The intercommunal talks were suspended by the Greek Cypriots when the Turkish Cypriot negotiator refused to disavow Turkish Prime Minister Ecevit's statement in late March calling for a "federal" system of government for Cyprus.

Any system that would preclude majority Greek Cypriot rule is anathema to Greek Cyp-

riots. They view it as the first step toward partition of the island. The Greek Cypriots charge that the Turkish Cypriot side is attempting to modify the terms of reference for the talks. According to the Greek Cypriots, the terms of reference provided for a "unitary, independent, and sovereign" Cypriot state.

The Turkish Cypriots claim that neither side agreed to such terms of reference. They have played down the Ecevit statement, however, interpreting it to mean a functional type of federalism rather than geographic separation of the two communities.

Osorio Tafall, the UN special representative in Cyprus, is attempting to get the talks resumed on the basis of a mutually agreed formula. The Makarios government rejected his first proposal as too vague, and he is now making a second effort. Although Makarios probably will permit the talks to resume eventually, he appears to be in no hurry. He hopes to extract concessions from the Turkish Cypriots, who are more anxious to reopen the talks. Their anxiety has been aroused by the growth of anti-Turkish sentiment within the Greek Cypriot community. This has been fueled by the Ecevit statement and by the Greece-Turkey dispute over Aegean oil exploration rights, both of which are being exploited by the pro-enosis Greek officers of the national guard. Turkish Cypriots became especially alarmed after an incident on May 9 in a mixed village when national guardsmen harassed Turkish Cypriot residents.

By stalling, Makarios is also protecting himself from accusation by national guard officers and other pro-enosis elements that he is too accommodating with the Turkish Cypriots. Because tension between the two communities on the island is usually reflected in relations between their mainland sponsors, Makarios' abstention from the talks could stir up trouble between Athens and Ankara. This would distract the Greek rulers and strengthen Makarios' hand against their possible machinations, but it would also further inflame intercommunal tensions on the island.

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HONDURAS: STUDENT VIOLENCE

Amid rumors of a possible coup against Chief of State Lopez, students last week plunged the capital city into two days of violence that nearly brought the army into the streets to control them. Had the army done so, it might have gone on to take direct control of the government.

The demonstrations began as a protest against Guatemala for its harsh treatment of workers during May Day observances. The demonstrations degenerated into riots when one student was killed, allegedly by a policeman.

The rioting continued into the night of May 8 and resumed the next day. Property damage amounted to about \$200,000, and 43 persons were injured, some seriously. Police detained 240 persons and are still holding 200 of them.

At the height of the disturbances, police began running low on tear gas, and students appeared to be gaining the upper hand. The army was placed on alert, and a number of unit commanders wanted to assist the police. General Lopez, who is also chief of the armed forces, would not give the order, however. Had the rioting resumed on May 10, the army would probably have intervened, with or without Lopez' permission.

Lopez' failure to reinforce the police is another example of his indecisiveness, a quality that is persuading many military officers and prominent civilians that he should be replaced. Lopez has exercised practically no leadership, and in times of crisis he appears incapable of making decisions. Consequently, Honduras, already the least developed country in Central America, is falling farther behind its neighbors.

Rumors about a coup have been circulating since last fall, but have gained intensity in recent weeks. Latest indications are that Lopez himself has been persuaded that his resignation during or shortly after some disorder would be a face-saving way to retire.

Even though events move slowly in Honduras, some change seems in the offing. Lopez,

who in the past has been largely responsible for the slow march, may no longer be the key person in the action. More dynamic leaders within the military argue that the military must exercise firmer control—and soon.

BRAZIL: PRESS CENSORSHIP INCREASED

Despite earlier hints that President Geisel was contemplating some degree of liberalization, the administration has instituted new, tougher controls on some press organs.

The government has ordered the publishers of Veja, a weekly news magazine, to submit all textual material to Brasilia prior to publication. Veja had written on topics the government deemed overly controversial—such as the expiration of certain political restrictions on a number of once prominent public figures. The effects of the new censorship order could so hamper the magazine's production schedule as to put it out of business.

Censorship has been renewed at Opiniao, a leftist weekly that had recently enjoyed relative freedom. In addition, full-scale censorship continues at O Estado de Sao Paulo, the nation's most prestigious newspaper, despite a report that official scrutiny was to be lessened.

Cardinal Arnas of Sao Paulo, commenting on the new censorship order, noted that he has "lost all hope that the administration would end abuses in the areas of civil and human rights." The Cardinal, long a critic of the military regimes that have controlled Brazil for the past ten years, added that arbitrary arrests and torture are continuing.

The new censorship order comes at a time when unrest—primarily among students and workers—is growing, and it may be intended as a warning to all critics of the government. The President may also be responding to pressure from conservative members of the military hierarchy who oppose any liberalization.

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PERU: MORE ARMS

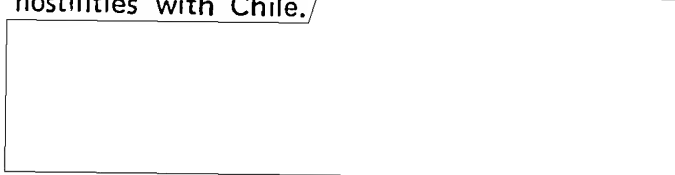
The Soviet merchant ship that arrived at Lima's port of Callao on May 9 unloaded tank-related equipment and probably the second installment of medium tanks under a contract that may call for a total delivery of up to 200.

Although this shipment is not likely to have any immediate effect on relations with Chile, the presence in Peru of additional tanks will almost certainly reinforce Chile's determination to acquire more arms to counter what it sees as an alarming Peruvian buildup.

Peruvian President Velasco has become increasingly sensitive to charges that his country is unduly building up its armed forces and thereby raising tensions among its neighbors. Lima also is concerned about charges by its neighbors that by purchasing Soviet weapons Peru is or will become a base for Soviet and Cuban penetration in Latin America. Last December, news stories reporting the tank purchase forced Velasco to admit publicly that Peru had accepted delivery of Soviet armaments. Apparently in order to lessen the impact of his disclosure, Lima quickly proposed arms limitation talks with its neighbors. It will be

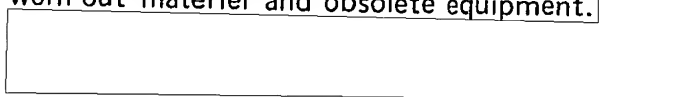
harder this time to divert attention from the new influx of equipment should the story be made public.

Another item that is causing sensitivity is Velasco's recent announcement that the armored school will be moved from Lima to southern Peru; some armor may already have been transferred. If more Soviet tanks in fact arrived last week, at least some are likely to be stationed in the south to guard against the possibility of hostilities with Chile.



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Lima and Santiago are likely to continue their current arms procurement drives, irrespective of how each views the chances for aggressive moves by the other. Both sides, however, will probably continue publicly to play down hints of tension and to stress that any military purchases are consistent with long-standing plans to replace worn-out materiel and obsolete equipment.



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